

# PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

## Professional Practice Toolkit

*The Maryland Psychological Association*

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### Nature of Debt for Recent Graduates

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Student Loan Debt has exploded over the last 20+ years & likely adversely impacts clinicians in professional practice. This document provides an overview of PSLF options which may assist a clinician looking for solutions to address their debt.

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### Background & Ethical Considerations

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Overall, Americans owe >\$1.4 Trillion in Student Loans. Recent graduates report average level of education debt of \$110,000, which is a 400% increase from 1995. Approximately one third of recent PsyD graduates reported having educational debt in excess of \$150,000

It can be expected that more than one third of net income will go toward student loan repayment. These percentages far exceed the rate at which loan repayment is considered a financial hardship—10% of discretionary income, according to recent federal policies

As a result (as of 2016):

- ECPs reported delaying saving for the future (63.4%), retirement planning (56.7%), buying a home (42.5%), or having children (32.7%).
- A significant number of students reported delaying retirement planning (65.7%), buying a home (62.5%), having children (49.3%), and/or getting married (31.8%).

Assuming a 10-year payoff plan, ECP's can expect a MONTHLY payment on \$100,000 in debt to be around \$1100

Using a Federally Backed Income Based Repayment plan, monthly amounts owed can be capped as % of monthly income (can reduce monthly payments significantly)

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### What you need to know

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#### Options for Eliminating Debt:

Bankruptcy: (Not a viable option for most):

Law changes in 2005 made it very hard to discharge private student loans via bankruptcy.

<http://www.forbes.com/sites/sherylnancenash/2012/02/07/the-student-loan-crisis-is-crippling-americas-families-is-the-economy-next/>

*NIH Researchers*

Those who secure a qualified position funded by domestic nonprofit, university or U.S. government entity may be eligible for loan repayment [http://www.lrp.nih.gov/about\\_the\\_programs/clinical.aspx](http://www.lrp.nih.gov/about_the_programs/clinical.aspx)

*National Health Service Loan Repayment Programs:* <https://nhsc.hrsa.gov/loanrepayment/>

A program that allows participants the ability to pursue a passion for primary care and serving the underserved while having monies being given to repay loans.

*Repayment with Forgiveness:*

- Federally back loans offer five different income-based repayment plans (required for PSLF),
- Full time employment by certain public service providers (Govt., Education, Non-Profit [501c3]),
- Make 120 payments (10 years) on those loans under aforementioned payment plans (5 plans),
- Qualify for forgiveness of the remaining balance

## Relevant Resources

- Equal Justice Works: [www.equaljusticeworks.org/ed-debt](http://www.equaljusticeworks.org/ed-debt);
- National Association of Student Financial Aid Administrators: [www.nasfaa.org](http://www.nasfaa.org);
- Federal Student Loan Repayment Assistance for Public Interest Lawyers and Other Employees of Governments and Nonprofit Organizations Philip G. Schrag Hofstra Law Review Vol. 36:27
- Graduate debt in psychology: A quantitative analysis. Doran, Jennifer M.; Kraha, Amanda; Marks, Laura Reid; Ameen, Edward J.; El-Ghoroury, Nabil Hassan Training and Education in Professional Psychology, Vol 10(1), Feb 2016, 3-1
- <http://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts/public-service>
- Federal Register Guidelines: Vol. 73, No 206/Thursday Oct. 23 2008

## Example

| Loan Amount: \$ 100000         |                  | Interest Rate 6.8%       |                                       |
|--------------------------------|------------------|--------------------------|---------------------------------------|
| Repayment Plan                 | Term (in Months) | Initial Monthly Payments | Total Payments (Interest + Principal) |
| Standard                       | 120              | <u>\$ 1150.80</u>        | \$138,096.40                          |
| Extended<br>Fixed<br>Graduated | 300              | <u>\$ 694.07</u>         | \$ 208,221.63                         |
|                                | 300              | <u>\$ 575.40</u>         | \$ 224,244.51                         |
| Graduated                      | 120              | <u>\$ 790.18</u>         | \$ 145,555.67                         |

| Loan Amount: \$ 100000 |                  | Interest Rate 6.8%       | AGI: \$56k (\$66k Salary)             |
|------------------------|------------------|--------------------------|---------------------------------------|
| Repayment Plan         | Term (in Months) | Initial Monthly Payments | Total Payments (Interest + Principal) |
| ICR                    | 162              | <u>\$ 747.17</u>         | \$157,867.43                          |
| IBR                    | 300              | <u>\$ 491.00</u>         | \$147,300.00                          |
| PAYE/REPAYE            | 240              | <u>\$ 377.00</u>         | \$ 90,480.00                          |